

Message Text

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PAGE 01 CARACA 00881 270502Z

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C O N F I D E N T I A L CARACAS 881

E.O. 11652: GDS

TAGS: BENC, VE

SUBJECT: MAJOR PROJECT:METRO

REF: (A) STATE 09181, (NOTAL) (B) CARACAS 303 (NOTAL)

1. INTRODUCTION. THIS TELEGRAM IS IN RESPONSE TO REFTEL A'S REQUEST FOR EMBASSY COMMENT ON PULLMAN STANDARD'S UNCONFIRMED REPORT THAT METRO HARDWARE CONTRACT WILL BE AWARDED TO FRENCH ON BASIS OF COMMERCIAL TREATY BETWEEN FRENCH AND VENEZUELAN PRIMARILY CONCERNING FUTURE OFF-TAKE OF VENEZUELAN CRUDE. EMBASSY BELIEVES REVIEW AND COMMENT ON METRO BID SITUATION HEREIN IS PERTINENT NOT TO DETERMINE WHETHER JAPANESE OR FRENCH WILL RECEIVE AWARD, BUT TO ANALYZE IF EXTERNAL VARIABLES ARE PRIMARY DECIDING FACTORS IN THE AWARD OF CONTRACTS IN GENERAL. IF GOVERNMENT TO GOVERNMENT AGREEMENT ON CRUDE IS A FACTOR, THEN THIS COULD HAVE REPERCUSSIONS ON FUTURE MAJOR PROJECT BIDS. US COMPANIES WOULD MOST LIKELY BE NEGATIVELY AFFECTED CONSIDERING USG'S LIMITED ABILITY TO MAKE THIS TYPE OF ACCORD.

2. ONLY EVIDENCE EMBASSY HAS OF COMMERCIAL AGREEMENT BETWEEN FRANCE AND VENEZUELA INVOLVING PETROLEUM IS ECONOMIC COOPREATION AGREEMENT BETWEEN FRENCH MINISTRY
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PAGE 02 CARACA 00881 270502Z

OF FOREIGN TRADE AND VENEZUELAN INSTITUTE OF FOREIGN COMMERCE. ARTICLE 3 STATES THAT BOTH GOVERNMENT S ARE TO FOMENT INITIATIVES TO CONCLUDE CONTRACTS BETWEEN COMPANIES, WHILE ARTICLE 4 SPECIFIES FIVE AREAS FOR ECONOMIC COOPERATION INCLUDING THE PETROLEUM AND PETROCHEMICAL SECTOR. ACCORDING TO LOCAL FRENCH COMMERCIAL COUNSELOR, THERE HAS BEEN LITTLE ACTIVITY

SINCE AGREEMENT WAS SIGNED IN OCTOBER 1977.

3. MINISTER OF ENERGY AND MINES HAS JUST CONCLUDED A VISIT TO FRANCE TO DISCUSS ENERGY POLICY. THE MINISTER HAS REPEATEDLY STATED GOV POLICY AS FAVORING GOVERNMENT TO GOVERNMENT PETROLEUM AGREEMENTS AND THEREFORE HE MAY WELL HAVE DISCUSSED INCREASED PETROLEUM SALES. HOWEVER, A SENIOR MARKETING OFFICER OF PETROLEOS DE VENEZUELA, THE NATIONAL OIL HOLDING COMPANY, HAS TOLD THE EMBASSY THAT NEITHER PETROLEOS NOR THE SUBSIDIARY OPERATING COMPANIES AUTHORIZED TO ENGAGE IN EXPORT SALES ARE INVOLVED IN DISCUSSIONS OF AN OIL SALE AGREEMENT TO FRANCE. HE COMMENTED THAT FOREIGN BIDDERS ON MAJOR PROJECTS IN VENEZUELA, E.G. THE BRAZILIAN FIRM IN THE GURI DAM CONTRACT, HAVE INCLUDED PROVISIONS REGARDING POSSIBLE OIL PURCHASES IN THE HOPE OF MAKING THEIR BID MORE ATTRACTIVE, BUT BECAUSE THESE PROVISIONS ARE NOT SPECIFIC OR BINDING, THEY ARE FOR ALL INTENTS AND PURPOSES MEANINGLESS. FRANCE IMPORTED ONLY SIX MILLION BARRELS OF CRUDE IN 1976 IN COMPARISON TO A HIGH OF 20 MILLION BARRELS ANNUALLY SEVERAL YEARS AGO.

4. CURRENTLY, METR BID BEING REVIEWED BY MYRIAD OF HIGH LEVEL COMMISSIONS. IN ADDITION TO TRADITIONAL FINANCE AND BID COMMISSIONS, EMBASSY HAS HEARD THAT TWO AD HOC COMMISSIONS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 00881 270502Z

ARE ALSO REVIEWING THE CONTRACT. ACCORDING TO FRENCH ECONOMIC COUNSELOR AND MANUEL DIAZ DIAZ, VICE PRESIDENT OF C.A. METRO DE CARACAS, THE PRESIDENT CREATED A MINISTERIAL SIX-MAN COMMISSION TO ANALYZE THE TWO BIDS. DIAZ DIAZ MENTIONED THAT A SPECIAL COMMISSION OF HIGH RANKING PRIVATE LUMINARIES INCLUDING THE PRESIDENTS OF FEDECAMARAS AND THE CAMARA DE CONSTRUCTION HAS ALSO BEEN ASKED TO REVIEW THE BIDS.

5. CONSIDERING THE CLOSENESS OF THE TWO BIDS TECHNICALLY AND FINANCIALLY, ONE WOULD EXPECT ECONOMIC AND POLITICAL CONSIDERATIONS TO BECOME IMPORTANT. WHILE FRANCE IS LOW BIDDER, JAPANESE WERE CLOSEST TO MEETING BID SPECIFICATIONS. ON A TECHNICAL LEVEL, THE VENEZUELAN REVIEWING COMMITTEE ASKED THE JAPANESE SIX CLARIFYING QUESTIONS WHILE THE FRENCH RECEIVED 113 QUESTIONS. IN ADDITION, INFORMED TECHNICAL ADVISOR FOR THE METRO BID SAID THAT HE UNDERSTOOD THAT THE JAPANESE WERE THE ONES THAT MADE TRADE GESTURES TO INFLUENCE THE BID. ON THE OTHER HAND, PRESIDENT FIGUEREDO OF THE VENEZUELAN INSTITUTE OF FOREIGN COMMERCE EXPRESSED HIS EXASPERATION WITH INCREASING JAPANESE SALES TO VENEZUELA WITHOUT RECIPROCAL ACQUISITIONS (CARACAS 303). MANUEL DIAZ DIAZ HAS SAID THAT AN IMPORTANT FACTOR IS FRANCE'S EXPERIENCE IN MEXICO AND ARGENTINA AS OPPOSED TO JAPAN HAVING HAD ONLY

DOMESTIC EXPERIENCE. ALL IN ALL, IT APPEARS THAT WHATEVER IS
DECIDING FACTOR IN METRO BID AWARD, VENEZUELA COULD EASILY
JUSTIFY GIVING AWARD TO EITHER PARTY ON TECHNICAL/ECONOMIC BASES.
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